Economic Planning Initiative

PROFESSIONAL SERVICES FACT SHEET

Boston Redevelopment Authority
Mark Maloney, *Director*

Summer 2001

I. Sector Description and Definition

There are a total of just over 82,500 jobs in the Professional Services sector in the City of Boston, including both payroll and non-payroll employees. Professional Services is the fourth largest major industry sector in the city, in terms of employment, behind only Finance, Insurance, and Real Estate (FIRE), Health, and Government. There are a total of roughly 3,680 professional service establishments in Boston that have payrolls. These payroll establishments generated over $4.8 billion in wages in 2001. The economic impact of the professional services sector on the city of Boston is significant. A REMI (Regional Economic Modeling Inc.) analysis of the professional services sector, in which all its Boston-based jobs were removed, revealed that the professional services sector supports 132,000 jobs in the city (including all the jobs within the sector itself), roughly 20% of the city's total jobs, and is responsible for $7.3 billion of the city's total gross product, or roughly 17%. The sub-sectors of the professional services sector include the following:

- **Legal Services** – includes specialized legal, paralegal, and other legal services.
- **Architectural** – industry comprised of establishments primarily engaged in planning and designing residential, institutional, leisure, commercial, and industrial buildings.
- **Engineering** – applying physical laws and principles of engineering in the design, development, and utilization of machines, materials, instruments, structures, processes, and systems.
- **Management Consulting Services** – engaged in providing advice and assistance to businesses and other organizations on management issues.
- **Other Scientific and Technical Consulting** – primarily engaged in providing advice and assistance to businesses and other organizations on scientific and technical issues.
- **Accounting, Tax Preparation, Bookkeeping** – auditing of accounting records, designing accounting systems, preparing tax returns, processing payrolls, bookkeeping, and billing.
- **Computer Systems Design and Related Services** – providing expertise in the field of information technologies through modifying, planning, and designing software.
- **Scientific Research and Development Services** –engaged in conducting original investigation undertaken on a systematic basis to gain new knowledge.
- **Advertising and Related Services** – industry comprised of establishments primarily engaged in creating advertising services.
- **Other Professional, Scientific, and Technical Services** - industry comprised of establishments engaged in professional, scientific, and technical services.

33 Arch Street

Boston Design Center

40 Broad Street

One Post Office Square

Harvard Campus

One International Place

Table of Contents

Job Opportunities & $alaries……2
Major Employers …….. 2
Related Industries & Sectors……3
Education & Training Issues…..3
Pipeline Projects ……...3
Sector Trends & Issues ……...4
In the Neighborhoods ……4
BRA Planning Initiatives….5
Research……5

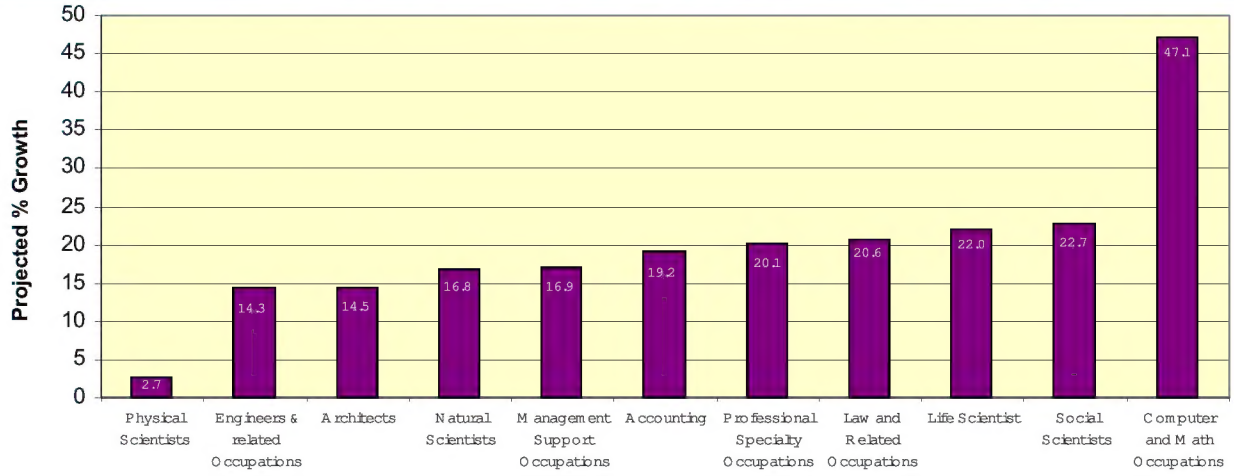
II. Job Opportunities and $alaries

The sector provides a wide range of job opportunities and pay scales. Here's information on job and salaries in Boston for 2001.

Sector	# of Employees	Average Yearly Wage
Legal Services	16,916	$ 88,784
Architectural, Engineering, and Related	9,064	68,370
Management, Scentific, and Technical Co.	8,822	103,956
Accounting, Tax Preparation, Bookkeeping	8,473	75,716
Computer Systems Design and Related Services	5,231	85,250
Scentific Research and Development Services	5,323	53,533
Advertising and Related Services	4,643	76,654
Other Professional, Scentific, and Technical Services	1,161	52,719
Specialized Design Services	802	59,618
Total & Average	**60,435**	**$ 80,770**

* Includes only Payroll employees
Source: MA DET, 2001

Projected Growth in Professional Specialty Occupations 1998-2008



III. Major Employers

The largest professional services sector employers in the City of Boston are spread across several of the sector's industries. Of the ten largest, according to "The Largest Private Employers in Boston 2001" and the Boston Business Journal, three are accounting firms, three are advertising firms, two are legal firms, and there is one each in the management services and engineering categories. The 10 largest professional service employers collectively employ roughly 10,000 people in the city. This is 12.5% of all the employees in the professional services sector, which contains over 3,600 total establishments in the city.

Employer	Professional Services Category	Total Employees
Pricewaterhouse Coopers LLP*	Accounting, Auditing	2,458
Boston Consulting Group*	Management Services	1,720
Goodwin Procter	Legal Services	949
Ropes and Gray	Legal Services	916
Deloitte & Touche	Accounting, Auditing	905
Ernst & Young LLp	Accounting, Auditing	829
Bronner Slosberg, Humphrey, Inc. *	Advertising	760
Arnold Communications, Inc.*	Advertising	570
Hill, holliday, Conners, Cosmopulos, Inc.*	Advertising	510
Vanderweil Engineers, Inc.*	Arch., Engineering, & related	350
Total Professional Service Employees		**9,967**

*May include some employees working in the Boston area, but outside the city.

IV. Related Industries & Sectors

Education. The Professional Services sector draws from a broad range of academia so there is distinct connection between these two sectors. There are 35 colleges and universities within city limits, and more than 30 others in the greater Boston area. The Professional Services is heavily served by the graduates generated by these area universities.

Financial Services/Insurance/Real Estate (FIRE). FIRE represents much of the clientele for the Professional Services sector, and as such, the condition of the FIRE marketplace will often dictate the level of activity, revenues and success of the various components of the Professional Services sector, a relatively highly skilled and educated workforce but one which is based on servicing the businesses of others.

Manufacturing/Trade/Construction. The rises and dips of the construction industry reflect the real estate market, both of which are served by the various consultancies, engineering, permitting, environmental, etc., within the Professional Services sector. As such the Professional Services sector must ride the wave of its clientele.

V. Education and Training Issues

Higher Education More Important than Ever. Higher and continuing education is vital in order to survive and be competitive within the Professional Services sector. Services offered by the firms within the sector tend to be specialized, cutting-edge and up-to-date as they constantly expand, grow and adapt to market and client needs.

Serviced by Local Institutions. Boston's colleges and universities graduate more students per capita then any other US city (43 per 1000 residents) with the number of graduate and professional students in New England outpacing other regions - 8% of the national total. Most of the Professional Services firms within the Boston area are supported by this large pool of graduates, providing an incentive for them to locate and remain in the Boston area.

128 Business Council

A non-profit public/private partnership formed to help reduce traffic congestion on Route 128 by providing alternative transportation services and information. The council also works with state and federal transportation agencies on behalf of member businesses.

The Council was formed in 1987 in response to a concern by some visionary leaders in the Route 128/West area. These businesses -- the Nelson Companies, GTE Laboratories, and Polaroid -- commissioned a Route 128 Corridor Traffic Study, from Route 2 to Route 20, at a cost of more than $100,000.

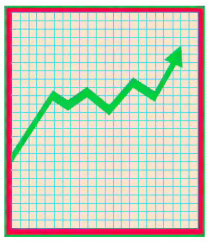
The initial companies enlisted then-Governor Michael Dukakis to work with businesses to help manage growth and ensure the future vitality of the 128 area. The Governor requested that one council be formed to represent all member companies in the 128 area. Hence, the 128 West Transportation Council was born.

To reflect its rapidly growing activities and strong advocacy for its members, the Council changed its name in 1996 from 128 West Transportation Council to 128 Business Council.

Pipeline Projects

Status	Square Feet
Approved	
Fan Pier	1,223,380
Midway	836,300
World Trade Center West	495,000
Word Trade Center East	475,000
One Brigham Circle	117,000
Completed	
One Lincoln Street	1,000,000
111 Huntington Avenue	917,286
10 St. James Avenue	775,000
131 Dartmouth Street	365,000
Millenium Place	
Under Construction	
33 Arch Street	533,197
MassPort Parcel F1	440,000
Crosstown Center	282,000
100 Cambridge Street	278,849
303 Congress Street	60,000
Under Review	
South Station Air Rights	1,200,000
Russia Wharf	500,000
45 Province Street	207,880
Two Financial Center	176,838
No Status	
100 Summer Street	975,000
Pier 4	385,000
470 Atlantic Avenue	379,000
North Point Project	325,000

VI. Sector Trends and Issues



Highest Growth Rate. Since 1988, employment in professional services has grown by 31%. This is the highest growth rate of all major industry groups in the city during this time period. Part of the reason for the long-term sustained growth in professional services in Boston is that the industry performs well during recessions. During the recession in the early 1990s, which was particularly bad in Boston, professional services only lost 2,457 or 3.9% of its jobs, while the city as a whole lost almost 11% of its jobs during the same time period.

Most Attractive, but Slowly Growing. Professional Service companies rely on a well-educated and technically skilled work force to be competitive. Over 50% of all jobs in professional services are at the managerial and professional and technical level, often requiring advanced degrees and highly specialized skills. The Boston area fares very well in the proportion of its labor force that is highly educated, due to the vast number of colleges and universities in the region. This educated labor force is likely the largest attractor of professional service companies to the region. According to the 2000 Census, 39.5% of the population in the Boston PMSA, 25 years old and older, have a bachelor's degree or higher, and 16.9% have a Master's degree or higher. The colleges and universities in the Boston region that contribute to the highly educated work force are major sources of employment for professional service companies and are a major factor in the long term success the sector has had in the city. Although the educated labor force in the Boston region is very attractive to the professional services sector, that labor force is slowly growing. Between 1990 and 2001 the labor force in the Boston PMSA has grown by 2.4%, while in the U.S. as a whole the labor force has grown by 12.7% during the same time period.

High Cost of Housing. One issue of the Boston region that can hurt its ability to attract and retain a highly educated and skilled work force is the high cost of housing (which may be partially to blame for its slow growing labor force). Boston is one the most expensive housing markets in the nation. According to the National Association of Home Builders, the median sales price of a home in the Boston PMSA during the first quarter of 2002 was $257,000. For the U.S. as a whole the median sales price for the same time period was $160,000. This likely has negative impacts on the attraction of professional workers, who may forego the higher wages for less costly housing in other markets.

Average Office Space Rent
(Per Square Foot)

Boston	'02	'03
33 Arch Street	$75	$65
111 Huntington Street	$70	$50
One International Place	$65	$38
Rowes Wharf	$60	$49
One Post Office Square	$60	$51
100 Federal Street	$55	$52
One Beacon Street	$53	$48
John Hancock Building	$50	$50
60 State Street	$50	$42
600 Atlantic Avenue	$47	$43
470 Atlantic Avenue	$45	$43
360 Newbury Street	$42	$35
500 Boylston Street	$40	$28
75 Federal Street	$40	$35
100 Franklin Street	$40	$32
695 Atlantic Avenue	$38	$32
One Center Plaza	$38	$38
40 Broad Street	$33	$28
100 Boylston Street	$30	$24
Russia Wharf	$30	$25
Faneuil Hall MarketPlace	$29	$28
711 Atlantic Avenue	$25	$18
211 Congress Street	$25	$34
59 Temple Place	$25	$19
Boston Design Center	$21	$21
Cambridge		
One Memorial Drive	$42	$35
One Alewife Center	$30	$30
One Kendall Square	$27	$15
150 Cambridge Park Drive	$19	$30

VII. Large Users of Office Space

Boston had about 55 million square feet of office space with a vacancy rate of 9.3% in the fourth quarter of 2002. Downtown Boston offers the most concentrated office market area, including North Station, Charlestown, the Financial District, the South Boston waterfront, South Station, and the Back Bay. Although office space rents have fallen in the Boston, they are still among the highest in the region, ranging from $40 to $75 per square foot for Class "A" office space. In contrast, office space rents for similar spaces in neighboring cities range from $19 to $42 per square foot in Cambridge and $12 to $20 in Waltham and Watertown.

The office market conditions have deteriorated in Boston in the past 18 months. As has been the case in virtually every major city in the US, office vacancy rates have risen in Boston during the period, as the economic slowdown has led to a decrease in demand for space. Despite the weakening office market in Boston, the city still is in better shape then almost all other major office markets in the country. For the third quarter of 2002 the downtown Boston office market had the second lowest vacancy rate among the 20 largest downtown office markets in the US, trailing only Washington DC. Although the office market has clearly softened in Boston, the cheaper rents likely have made it easier for smaller professional service companies to locate in the historically high-priced downtown Boston office market.

VIII. In the Neighborhoods

Professional Service offices in areas such as Mattapan and Dorchester generally serve clients within their neighborhoods, while those located in the most concentrated downtown Boston office market, including North Station, the Financial District, South Boston, and the Back Bay, serve citywide, regional, and national clients.

Financial District. Most of the Professional Services office space is located in the Financial District in downtown Boston. There is a limited residential neighborhood in the area, leading to a significant commuting employee population. There is a limited housing supply, with some interest in developing more residential uses to provide housing to employees in the Financial District.

South Boston. There is over 5 million square feet of new office, hotel, and residential space proposed and under construction in South Boston that will service the new Boston Convention and Exhibition Center (BCEC), and will provide destination points to the new Silver Line. This introduction of new uses and services, including Professional Services, to a primarily residential neighborhood will expand the city boundaries for non-residents of the area.

IX. BRA Planning Initiatives

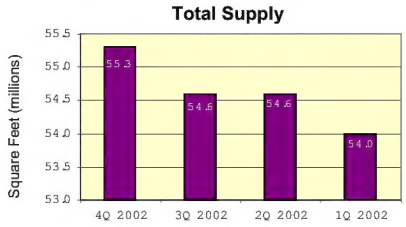
Regional in Nature. Firms that need to be located downtown, within close distance of clients and the airport, occupy Class A office space in downtown Boston. Others Professional Service sector firms are located regionally along Route 128 and in Cambridge, Watertown, Burlington and Braintree.

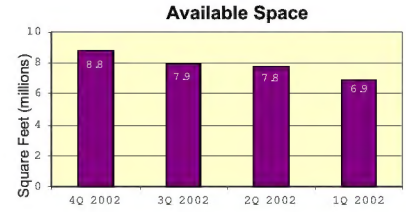
Longwood Medical and Academic Area (LMA). The LMA is a 210-acre community of health care, education, and religious institutions located adjacent to the Fenway and Mission Hill neighborhoods and the town of Brookline. The Longwood Medical Area Plan, a study that would help guide the future of the area's largest concentration of medical institutions, is currently in the draft proposal stage within the BRA. Scientific Research and Development services will be tenants of the LMA, expanding the Professional Services sector within this area of Boston.

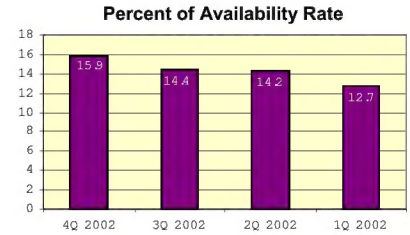
Opportunities to Partner with Other City Planning Agencies. There is significant physical space overlap with the Professional Service sector needs within the cities in close proximity to Boston. There might be opportunities to partner with other city planning agencies to most appropriately locate firms based on need and availability within existing city office space portfolios.

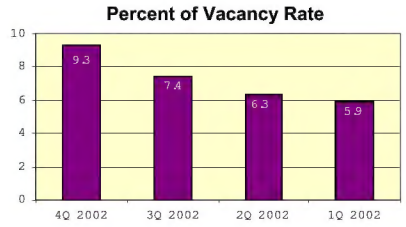
Downtown Interim Planning Overlay District (IPOD) Housing Amendment. The IPOD amendment provides incentives for housing production in the Financial District Special Study Area, an area that presently has very little residential land use. Planning, design and financial analysis by BRA staff and consultants indicates that there are a number of sites in the Financial District Special Study Area that could accommodate housing in slender buildings that would complement the high rise office use that predominates in the District. This proposed amendment was reviewed by various groups and individuals during the past year, including the Boston Civic Design Commission, Conservation Law Foundation, and the Preservation Alliance. It was adopted by the Boston Zoning Commission in the Spring of 2003.

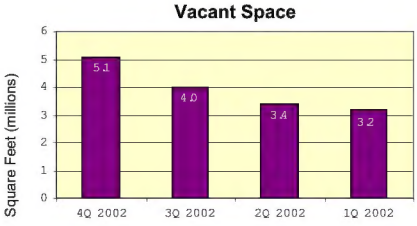
City of Boston Office Market 2002











Source: Spaulding & Slye Colliers International

Notes:

1. Office market area includes only the following areas within the city: North Station, Charlestown, Financial District, South Boston Waterfront, South Station, and the Back Bay.
2. Available space – space which is being actively marketed for immediate or future occupancy including both direct and sublease space.
3. Vacant space – direct space being actively marketed for immediate occupancy during or before the month following the quarter.

Boston Redevelopment Authority
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The Economic Planning Initiative's nine interdepartmental teams connect the BRA to industry leaders, issues, and the latest trends in the greater Boston area.

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Professional Services Sector Team

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Economic Sector Teams
Education
Financial Services, Insurance, Real Estate
Health & Medical
Hotels
Industrial
Professional Services
Retail
Technology
Culture, Sports & Recreation

Did You Know?

- Some companies have reported that the decision on where they will locate is based on where the CEO or head of the company resides.
- Professional Services is fairly insulated from economic cycles, performing well even during recessions.
- Office space rents increase on higher floors of buildings.

Research

InfoUSA®, Omaha, NE

"Doing Business in Boston", 1998/2000

Boston Business Journal

Spaulding & Slye Colliers International

Mr. Office Space, www.mrofficespace.com

The Largest Private Employers in Boston 2001, BRA Report #545

BRA Research Reports are available free of charge on the BRA website: www.BostonRedevelopmentAuthority.org.